

## Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 AF-06

OPIC-06 OMB-01 SAM-01 EB-07 COME-00 TRSE-00 STR-04

FRB-01 XMB-04 /099 W

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R 061056Z SEP 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4155

INFO USMISSION EC BRUSSELS 1052

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY ROME

USMISSION NATO

UNCLAS LISBON 5218

E.O. 11652: N/A

TAGS: EFIN, PO

SUBJECT: FINANCIAL DEVELOPMENTS

1. IN AUGUST 27 PRESS CONFERENCE FINANCE MINISTER

JOSE JOAGUIM FRAGOSO TOUCHED ON BALANCE OF PAYMENTS SITUATION.

HE EMPHASIZED THAT GOP HAS RESPECTED ALL ITS INTERNATIONAL  
COMMITMENTS. COUNTRY HAS PAID OUT \$200 MILLION ALONE TO REPAY  
INTERNATIONAL CREDITS THAT WERE NOT RENEWED "FOR POLITICAL  
AND PARALLEL REASONS"; CURRENT FOREIGN EXCHANGE RESERVES ARE  
ON ORDER OF \$800 MILLION. HE DENIED EXISTENCE OF ANY  
CENTRALLY COORDINATED ECONOMIC BOYCOTT, BUT SAID THAT IN  
"CAPITALIST LOGIC" VARIOUS PRETEXTS EXIST FOR CANCELLING ORDERS  
OR TOURIST RESERVATIONS. WHILE DENYING THAT "ONE GRAM" OF  
COUNTRY'S GOLD RESERVES HAS BEEN TOUCHED, FRAGOSO SAID HIS  
MINISTRY HAS NO "MYSTICAL" FEELING ABOUT GOLD SALES.

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2. BANK OF PORTUGAL (BOP) GOVERNOR DR. COSTA LEAL TOOK PART IN SAME

CONFERENCE. HE SAID QUESTION OF FOREIGN EXCHANGE RESERVES WILL DEPEND ON OUTCOME OF MEETINGS WITH IMF. ALTHOUGH HE ACKNOWLEDGED EXISTENCE OF ESCUDO BLACK MARKET, COSTA LEAL DENIED ANY CURRENT PLANS FOR DEVALUATION, SAYING OTHER METHODS, SUCH AS VARIABLE OR FLOATING RATES, COULD BE USED FIRST.

3. INSTITUTE FOR ASSISTANCE TO SMALL AND MEDIUM ENTERPRISES (PME) RECENTLY ANNOUNCED THAT SINCE JUNE 1974 IT HAS LOANED \$130 MILLION TO SOME 4,000 FIRMS--29 PERCENT OF THOSE FIRMS WITH BETWEEN 5 AND 300 EMPLOYEES THAT IT IS AUTHORIZED TO ASSIST. INSTITUTES ALSO NOTED IT MET ONLY 10 PERCENT OF REQUESTS FOR ASSISTANCE. 88 PERCENT OF LOANS MADE THROUGH REDISCOUNTING, WITH REMAINDER THROUGH GUARANTEES. INSTITUTE IS CURRENTLY STUDYING FUSION OR RESTRUCTURING OF 231 FIRMS IN SEVEN SECTORS--HEAVY MACHINERY, TEXTILES, TANNING, SHOES, RUBBER, CHEMICALS, AND WOOD/CORK.

4. BANK OF PORTUGAL (BOP) HAS FURTHER TIGHTENED ITS INSTALLMENT CREDIT REGULATIONS, ESPECIALLY TO ENSURE THAT INSTALLMENT PAPER IS NOT DIRECTLY OR INDIRECTLY DISCOUNTED BY BOP, OR USED AS COLLATERAL FOR ANY LOANS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DEVELOPMENT, PRESS CONFERENCES, BALANCE OF PAYMENTS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellEO  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 28 MAR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <28 MAR 2003 by MaustMC>; APPROVED <22 JAN 2004 by RowellEO>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS  
**TAGS:** EFIN, PO, (FRAGOSO, JOSE JOAQUIM)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006